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DIARY NOTES

DD/S

2 December 1958

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1. The briefing [REDACTED] was a success insofar as members of the Senate Armed Services Committee and the Senate Appropriations Committee Staffs were concerned; however, it was not a success as far as Mr. Macy, Bureau of the Budget was concerned. He seemed to have a fixation that we were spending far more money here than was necessary. On our return he said that he thought he would jot down some notes expressing his concern about [REDACTED] and would send them over to me and I told him that I would be very glad to receive them. H

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2. During our conversation, and in response to my direct question, he told me that he did not know what the final outcome of our budget was going to be and that as far as he knew Mr. Stans had not talked to the President; however, he added that Mr. Stans had talked to Deputy Secretary of Defense Quarles about [REDACTED] project and that he had apparently indicated that if this project were finally approved by the President the Department of Defense should finance it --- furthermore, that they could carry on such a project just as efficiently and as securely as CIA. Immediately upon my return to the office at about 1600 hours I found a letter from the Bureau of the Budget stating that we were going to be allowed [REDACTED] for regular operations and [REDACTED] for replenishment of the Reserve --- this letter was almost certainly written by Mr. Macy prior to his departure for [REDACTED] on Monday. Gates and I discussed it with the Director who telephoned Mr. Stans and expressed his unhappiness. Mr. Stans told him that the letter was not final and that he would like to discuss it before Mr. Dulles spoke to the President about it. Subsequently, Mr. Dulles requested that we prepare a reply to the letter taking the same position which we had taken orally a few days ago. He also stated that he felt strongly that the Department of State should budget for its own NIS costs and asked that we furnish him a breakdown of the total cost of the NIS Program, including contributions made to other agencies. 25X1A9a 25X1A1a

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